



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

September 11, 2012

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Third District

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To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

SACRAMENTO UPDATE

Executive Summary

This memorandum contains information on the following:

- **Pursuit of County Position to Oppose AB 1098 (Carter).** This measure was gutted and amended on August 30, 2012 to restore a specified allocation of Vehicle License Fee (VLF) revenues redirected from newly incorporated cities. The restoration of this VLF funding to newly incorporated cities could potentially interfere with future VLF appropriations to counties for the 2011 Public Safety Realignment. Therefore, consistent with policy to minimize the adverse impact of State actions and consistent with the Board's action of March 22, 2011 to support constitutional protections to guarantee secure, adequate and permanent revenue, including VLF revenue, and provide specific County protections for programs transferred from the State to counties under the 2011 Public Safety Realignment, **the Sacramento advocates will oppose AB 1098 and will request the Governor to veto the measure.**
- **Status of County-Advocacy Legislation**
 - **County-supported AB 1623 (Yamada)** – related to the extension of the authority for boards of supervisors to set fees for the county sealer was signed by the Governor on September 7, 2012.

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Pursuit of County Position on Legislation

AB 1098 (Carter), was gutted and amended on August 30, 2012 to restore a specified allocation of Vehicle License Fee (VLF) revenues redirected from newly incorporated cities to fund a portion of the 2011 Public Safety Realignment and cites legislative intent that VLF revenues be available for communities considering incorporation in the future, including the unincorporated community of East Los Angeles. AB 1098 is currently with the Governor awaiting his signature or veto. The previous version of AB 1098 related to unfair claims settlement practices.

The FY 2011-12 State Budget Act provided \$5.5 billion to fund the 2011 Public Safety Realignment by redirecting 1.06 percent of the existing State sales tax (\$5.1 billion), and a portion of VLF revenues (\$453.0 million) from the State to counties. Specifically, SB 89 (Chapter 35, Statutes of 2011) shifted a portion of the 0.65 percent of VLF revenue allocations specified for certain cities and Orange County to the 2011 Public Safety Realignment. This shift disproportionately affected several newly incorporated cities and cities that recently annexed inhabited areas that would have been able to access increased VLF allocations under AB 1602 (Chapter 556, Statutes of 2006).

To address the loss of Vehicle License Fee revenue to those newly incorporated cities, AB 1098 would eliminate the \$25.0 million VLF set aside for Department of Motor Vehicles (DMV) administrative purposes and would require the State Controller, on and after July 1, 2012, to instead allocate the balance of all motor vehicle license fees and other monies in the Vehicle License Fee Account: 1) first to cities incorporated from an unincorporated territory after August 5, 2004, pursuant to a specified formula; 2) second to cities incorporated before August 5, 2004 which annexed new inhabited areas after that date also based on a specified formula; and 3) third to the Local Law Enforcement Services Account which funds a portion of the programs shifted to counties under the 2011 Public Safety Realignment. **Under AB 1098, the specified VLF allocation formulas would be available indefinitely to future newly incorporated cities and cities that annex inhabited areas.**

AB 1098 is identical to SB 1566 (Negrete McLeod and Emmerson) which, as previously reported, was introduced in February 2012 but held in the Senate Appropriations Suspense file on May 24, 2012 and did not proceed. AB 1098 passed both the Assembly and Senate on August 31, 2012, the final day of session.

According to the California State Association of Counties (CSAC), the restoration of the Vehicle License Fee funding to newly incorporated cities could potentially interfere with future VLF appropriations to counties for the 2011 Public Safety Realignment. If the allocation to newly incorporated cities and annexations under AB 1098 exceeds the amount that would have been allocated under the DMV administrative budget, it would

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reduce the total amount of VLF revenue available for the realignment allocation to counties. Furthermore, CSAC notes that until Proposition 30 is approved by voters in the November 6, 2012 statewide general election, realignment funding does not have permanent protections, and there is no State obligation to backfill any losses to the 2011 Realignment revenue that may result from the restoration of VLF revenue to newly incorporated cities under AB 1098. Finally, CSAC reports that they requested amendments to limit the bill to only those cities immediately impacted by SB 89 which includes four recently incorporated cities in Riverside County and some annexations, and for a time-limited period. However, those amendments were not included in AB 1098.

Therefore, consistent with Board policy to minimize the adverse impact of State actions and consistent with Board action of March 22, 2011 to support constitutional protections to guarantee secure, adequate and permanent revenue, including VLF revenue, and provide specific County protections for programs transferred from the State to counties under the 2011 Public Safety Realignment, **the Sacramento advocates will oppose AB 1098 and will request the Governor to veto the measure.**

AB 1098 is supported by Cities of Eastvale, Fontana, Jurupa Valley, Menifee, and Wildomar; Riverside County; Riverside Sheriff; and San Bernardino County.

AB 1098 is opposed by the California State Association of Counties and the Urban Counties Caucus.

Status of County-Advocacy Legislation

County-supported AB 1623 (Yamada), which as amended August 6, 2012, would extend the authority of county boards of supervisors to: 1) charge an annual registration fee to recover the costs of the county sealer from January 1, 2013 to January 1, 2016; 2) provide adjustments to the fee for particular weighing and measuring devices; and 3) specify that, in certain circumstances, the fee consisting of the business location fee and the device fees shall not exceed a specified amount, was signed by the Governor on September 7, 2012. AB 1623 has been chaptered as Chapter 234, Statutes of 2012 and will become effective January 1, 2013.

We will continue to keep you advised.

WTF:RA
MR:KA:PC:ma

c: All Department Heads
Legislative Strategist